

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07  
EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 OPIC-03  
SP-02 TRSE-00 LAB-04 EPG-02 SIL-01 AGRE-00 OMB-01  
OIC-02 INRE-00 SSO-00 XMB-02 USIE-00 L-03 STR-04  
OES-07 /097 W  
-----172301Z 122339 /14

O 172229Z JUN 77  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC IMMEDIATE 4361

LIMITED OFFICIAL USE SECTION 01 OF 02 PARIS 18012

USOECD

E.O. 11652: N/A  
TAGS: EGEN, OECD  
SUBJECT: OECD MINISTERIAL: DRAFT COMMUNIQUE DISCUSSED  
BY HEADS OF DEL

REF: A) PARIS 17619 B) STATE 140462

1. HEADS OF DEL DISCUSSED PORTIONS OF DRAFT  
MINISTERIAL COMMUNIQUE TRANSMITTED REF A ON JUNE 17.  
MAIN PROBLEM AREA WAS SECTION ON TRADE, WHERE EC  
INDICATED STRONG PREFERENCE FOR USING LANGUAGE OF  
TRADE COMMITTEE REPORT ON RENEWAL OF TRADE PLEDGE.  
SECRETARIAT WILL REDRAFT COMMUNIQUE ON BASIS OF  
COMMENTS MADE AT THIS MEETING, BUT THAT TEXT WILL NOT  
BE DISCUSSED AGAIN BEFORE MINISTERIAL MEETING. HIGH-  
LIGHTS OF DISCUSSION ARE REPORTED BELOW:

2. DEVELOPMENT COOPERATION: SEVERAL DELS THOUGHT  
REFERENCE TO NEED FOR RE-EXAMINATION OF OBJECTIVES OF  
DC DEVELOPMENT ASSISTANCE POLICY NEEDED TO BE STATED  
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MORE POSITIVELY. FRANCE SUGGESTED INDICATING THAT OECD  
WOULD EVALUATE CIEC RESULTS AND CONSIDER WHAT KIND OF  
FOLLOW-UP TO THEM THERE SHOULD BE. CANADA THOUGHT RE-  
EXAMINATION OF OBJECTIVES SHOULD BE UNDERTAKEN "WITH  
A VIEW TO REDUCING UNACCEPTABLE LEVELS OF POVERTY  
AND UNEMPLOYMENT IN THE LDC'S."

3. ENERGY: THERE WAS NO COMMENT ON THIS PARAGRAPH.

4. COMMODITIES: U.S. PROPOSED TEXT OF REF B. OTHERS AGREED WITH PRINCIPLE OF KEEPING TEXT AS CLOSE AS POSSIBLE TO THAT AGREED AT CIEC, BUT ARGUED THAT SECOND SENTENCE OF U.S. PROPOSAL (BY CHANGING "NEGOTIATIONS" TO "DISCUSSIONS") WAS A STEP BACKWARDS. U.S. POINTED OUT THAT THIS SENTENCE WAS MEANT TO REFER TO A BROADER RANGE OF ACTIVITIES IN UNCTAD THAN THE SENTENCE IN THE CIEC REPORT. IRELAND SUPPORTED, NOTING THAT REFERENCE TO NEGOTIATING COMMON FUND WAS RETAINED IN U.S. REDRAFT. CANADA SUGGESTED THIS SENTENCE BE EXPANDED TO MENTION "OTHER ESTABLISHED FORUMS" IN ADDITION TO UNCTAD, AND THAT, IN LAST SENTENCE, OECD WORK BE "CONTINUED" RATHER THAN "INTENSIFIED." FRG FAVORED DELETION OF LAST SENTENCE ALTOGETHER.

5. TRADE: ALTHOUGH U.S. SUPPORTED TEXT AS IS, EC EXPRESSED STRONG PREFERENCE FOR GOING BACK TO LANGUAGE OF TRADE COMMITTEE REPORT. ALTHOUGH ENSUING DISCUSSION CENTERED ON PROBLEMS CAUSED FOR FRENCH BY PARA 7 OF COMMUNIQUE (SEE PARA BELOW), EC REPS TOLD US PRIVATELY THAT PARAS 5 AND 9 ALSO GAVE SOME MEMBER STATES A GREAT DEAL OF TROUBLE (WITHOUT SPECIFYING EXACTLY WHY), AND THAT PROSPECT OF RENEGOTIATING LANGUAGE AGREED IN TRADE COMMITTEE WAS A BLEAK ONE. FINLAND AGREED WITH EC ASSESSMENT AND, WITH NEW ZEALAND SUPPORT, ARGUED FOR INCLUSION IN TEXT OF REFERENCE TO THE NEED TO ACHIEVE A MORE BALANCED DISTRIBUTION OF LIMITED OFFICIAL USE

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PAYMENTS DEFICITS IN THE OECD AREA. FINLAND ALSO WANTED TO ADD REFERENCE TO UNDER-VALUED CURRENCIES AFTER ARTIFICIAL STIMULATION OF EXPORTS IN PARA 5, AND TO FINDING AREAS FOR SPECIAL TREATMENT OF LDC'S IN PARA 9. CANADA AND JAPAN FAVORED CHANGING PARA 8 TO ENDORSE NEED TO "IMPROVE" THE EXPORT CREDIT CONSENSUS.

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6. WITH RESPECT TO PARA 7 OF COMMUNIQUE FRENCH DEL, REFERRING TO PHRASE CONCERNING STRUCTURAL CHANGES INSERTED IN COMMUNIQUE OF LONDON SUMMIT AT THEIR INSISTANCE, SAID THAT EXISTING PARA 7 DID NOT MEET THEIR CONCERNS AND THEY WOULD WANT A PHRASE ON STRUCTURAL CHANGE INCLUDED IN PARA 9. HE OBJECTED TO THE EMPHASIS IN PARA 7 ON TEMPORARY AND CYCLICAL NATURE OF PROBLEMS AND SAID GOF CONSIDERED PROBLEMS OF PARTICULAR INDUSTRIES TO BE VERY SERIOUS AND NOT NECESSARILY CYCLICAL. FRENCH REP INDICATED THAT USING TRADE COMMITTEE REPORT WOULD PROBABLY RESOLVE HIS PROBLEM IN THIS AREA. SECGEN ARGUED IT WOULD BE A MISTAKE TO CONNECT TEMPORARY CYCLICAL PROBLEMS WITH LONG-RUN EFFORTS TO IMPROVE THE TRADING SYSTEM. HE SUGGESTED THAT IN CERTAIN CASES SOMETHING SPECIAL MIGHT NEED TO BE DONE (HE GAVE SHIPBUILDING AS AN EXAMPLE) BUT THAT SUCH CASES SHOULD BE TACKLED AS TEMPORARY PROBLEMS AND NOT BUILT INTO THE TRADING SYSTEM. VAN LENNEP EMPHASIZED THE DANGER OF SEEING LIMITED OFFICIAL USE

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STRUCTURAL PROBLEMS (AND THUS CALLING FOR A GOVERNMENT INTERVENTION) WHEN DIFFICULTIES WERE REALLY OF CYCLICAL NATURE. HE SUGGESTED THE MAIN ISSUE WAS WHETHER COUNTRIES WERE ADAPTING THEIR ECONOMIES AS QUICKLY AS CHANGES WERE TAKING PLACE IN TRADE PATTERNS AND SUGGESTED THE RIGHT COURSE OF ACTION WAS TO IDENTIFY DANGER POINTS AND HOLD CONSULTATIONS ON THEM.

7. IT IS NOT CLEAR AT THIS WRITING HOW SECRETARIAT WILL COME DOWN ON TRADE LANGUAGE. EC FAVORS BRIEF MENTION OF PLEDGE RENEWAL IN COMMUNIQUE TEXT, AND ANNEXING THE TC REPORT TO THE COMMUNIQUE. SECRETARY GENERAL HOWEVER STRONGLY PREFERS SOME KIND OF SELF-CONTAINED AND MORE ELABORATE LANGUAGE ON TRADE, AND WE EXPECT FINAL VERSION OF TEXT WILL BE LIKE PRESENT ONE WITH SOME MODIFICATIONS TO BRING IT CLOSER TO TC REPORT, AND PARA 7 MAY BE DROPPED.

8. SOUTHERN EUROPE: ITALIANS INTRODUCED TEXT, WITH WHICH SPAIN, TURKEY AND PORTUGAL ASSOCIATED THEMSELVES AS CO-AUTHORS, INTENDED TO CALL ATTENTION TO PARTICULAR PROBLEMS MEDITERRANEAN COUNTRIES HAVE BEEN FACING, WITHOUT SPECIFICALLY IDENTIFYING THOSE COUNTRIES AS SUCH. LANGUAGE ASKS FOR SPECIAL REVIEW OF PROBLEMS CAUSED FOR SOME MEMBERS BY "SOME RESTRICTIONS IN OECD AREA". DELS WERE UNCLEAR AS TO PRECISELY WHAT WAS INTENDED, AND AUSTRALIA AND NEW ZEALAND, FOR EXAMPLE, SOUGHT TO INTERPRET IT AS AIMED AT DIFFICULTIES CAUSED BY COMMON AGRICULTURAL POLICY RESTRICTIONS. U.S. (KATZ), SPEAKING PERSONALLY, SAID HE THOUGHT PROBLEMS ALLUDED TO BY ITALIAN PROPOSAL WERE REAL ONES AND SHOULD BE TREATED EFFECTIVELY IN OECD WORK PROGRAM. HE SUGGESTED THAT COMMUNIQUE LANGUAGE SHOULD BE REDRAFTED TO ELIMINATE AMBIGUITIES AND MISINTERPRETATIONS WHICH HEADS OF DEL DISCUSSION HAD ALREADY REVEALED.

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VAN LENNEP AGREED WITH KATZ, OBSERVING THAT THE PROBLEMS OF THE COUNTRIES IN QUESTION WERE BEING TREATED IN A NUMBER OF DIFFERENT OECD BODIES (TECO, EDRC, AND TEMPORARY WORKING PARTY). HE AGREED TO SEEK TO REDRAFT LANGUAGE IN WAY ACCEPTABLE TO PROPOSING COUNTRIES.

KATZ

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## Message Attributes

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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**To:** STATE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009